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SUBJECT Difficulties of the "Free Shops"

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1. The Freie Läden (Free Shops) are experiencing serious difficulties because of the lifting of the Berlin blockade. Despite the unfavorable Ostmark-Westmark exchange, inhabitants of the Soviet Zone have been buying in considerable quantities the food and unrationed goods which have been on sale in the west Berlin stores since the middle of May. The resultant decrease in the sales of the Freie Läden has been so serious that the DWK has had to consider substantial price reductions, although price increases of approximately 400 percent were originally planned. The excuse given is that the great increase in Soviet Zone production permits corresponding price reductions.
2. These price decreases run between 10 and 18 percent for groceries, and between 15 and 25 percent for other goods. Textiles have been reduced as much as 33 percent. The following are typical prices in the Freie Läden:

	prices in marks:	formerly	now
Bicycles, Fabrikat Mifa, complete		950.-	750.- to 800.-
Leather shoes		250.-	180.- to 200.-
Vegetable preserves in 1 kg. jars			15.- to 17.-
Fruit preserves in 1 kg. jars		approx.	18.- to 20.-

These prices are still much too high for the normal consumer in the Russian Zone.

3. The Freie Läden are also in an embarrassing position because of the recent lifting of all restrictions on potatoes and the sudden drop in price to six marks per fifty kilograms. Only a week before this occurred, the Freie Läden, as a "special bargain", sold potatoes, in ten kilogram lots, to their employees for 24 marks per fifty kilograms, and at the same time shop officials paid only 12 marks. The shops and those who had taken advantage of this special concession naturally felt cheated when the price suddenly dropped to six marks. Only a few officials know that this drop in price was the result of the collapse of the large compensation deal with the Scandinavian countries. The SMA and the DMK had hoped as late as May that this barter deal could be worked out.

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